



October 13th, 2026

VIA EMAIL ONLY

Gary White, Dir. of Gary Paxton Industrial Park
100 Lincoln Street
Sitka, Alaska 99835
garrywhite@gci.com

City Assembly Board Members
The City & Borough of Sitka
100 Lincoln Street
Sitka, Alaska 99835
administrator@cityofsitka.org

Dear Mr. White and Assembly Board Members:

Our Company, Artic Blue Waters Alaska, Inc. ("ABWAI"), is in receipt of your recent letter dated October 1st, 2026 concerning *Notice of Failure to Comply and Opportunity to Cure*. With this letter, we offer our following comments in response. More specifically, reference is made to the prior agreement entered into between ABWAI and the City and Borough of Sitka ("City") and which is entitled "Purchase Agreement for Raw Water in Bulk for Export." As you are well aware, such agreement was executed between the City and ABWAI, on April 13th, 2021. Additional reference is also made to ABWAI's prior letter to the Gary Paxton Industrial Park (GPIP) Board dated July 10, 2026, and its subsequent letter to the City Assembly Board Members dated September 22, 2026.

It is our view that ABWAI's shareholder funds should be used to secure a bulk water purchase and sale agreements with both US and foreign entities alike. A large volume long-term sale of bulk water from Sitka would also provide major revenue to the City for any number of decades into the future. However, for reasons discussed further below, the offer of funds proposed to be provided to the City and Borough of Sitka, the P&D Engineering Firm, and such additional funds as needed to update the drinking water analysis outlined in ABWAI's letter dated September 22nd, 2026, is hereby rescinded.

In 1995, I met with Administration officials of the City, who agreed to work together to obtain the necessary State Permits for bulk water to be exported from "Blue Lake." That same year, my previous company paid more than \$33,000.00 to Alaska engineering firms (*Stragier Engineering* and *Peratrovich, Nottingham & Drage, Inc.*) to complete a report confirming the feasibility of exporting bulk water from Sitka (the "Feasibility Report"). The City would then ultimately submit the Feasibility Report as part of its application to the State of Alaska to obtain a permit approval for bulk water export.

As the founder and senior officer of various companies over the past 30 years, a number of them paid hundreds of thousands of dollars to the City to secure water rights and water leases for export. In addition, to meet milestones and target dates requested by City Administration, our companies purchased barges, performed underwater surveys, and made over 15 sales and marketing trips to foreign countries expending approximately \$10.0 million over a 30-year period.

UNCERTAINTY RE THE ONGOING MIDDLE EAST CONFLICT AND HIGH COST OF BUNKER FUEL. Bunker fuel price went from US\$480 per metric ton to currently US\$920 metric ton. For a return voyage from Sitka, AK to Danang, Vietnam takes 43 days using a 50,000 DWT ship which consumes 28 metric tons of fuel per day. Such rates of fuel consumption increases transportation costs by approximately US\$529,760 per trip.

ABWAI REQUEST

ABWAI is requesting that Assembly Members consider extending required dates for complying with details outlined in “**Paragraph 10.2 Subsection Two**” to October 13th, 2027 and “**Paragraph 3.1**” of the “Purchase Agreement for Raw Water in Bulk for Export” to March 31, 2029. During these time periods ABWAI will continue to market bulk water from “Blue Lake” and maintain a comprehensive website promoting bulk water from Sitka. It also should be acknowledged by all parties that in order to be able to load and transfer bulk water from Sitka, it will require an estimated (Engineering Assumption) capital expenditure for Engineering Design, Geotechnical Studies and Marine Construction of the intended docking facility much higher than previously estimated. As some Assembly Members may recall, in 2021, the estimated cost to ABWAI to build a docking facility (at a location offered by Sitka) at that time was a mere US\$2.5MM. However, once Sitka chose to no longer make such site available to ABWAI, the eventual alternative was and remains entirely unfeasible. ***The docking location currently under consideration carries a price tag estimated at \$16MM.*** That is not an expenditure that ABWAI is in a position to take on especially when ABWAI had been previously assured of having access to a much lower cost docking alternative.

To position ABWAI to (1) meet these large Capital Expenditures, (2) attract additional required equity funds, (3) have money for an aggressive international sales program, and (4) reduce the risk for large international investors, management took actions as outlined in the (**ATTACHED**) letter dated July 10th, 2026 (See paragraph section titled “(ABWAI) CORPORATE UPDATE & (ABWAI)’s OPERATIONAL TEAM.”

Should the Assembly Members agree to extend the noted dates, we would be pleased to be able to welcome the residents and elected representatives of the City and Borough of Sitka to join ABWAI as a supplier of bulk glacier-fed water in our international efforts to provide both much needed pure drinking water and much needed bulk water to meet industrial and commercial water supply mitigation demand to countries around the world from our three potential bulk water sources in the North Atlantic. However, should the Assembly Members not agree to the proposed extension date stated above, ABWAI shall no longer seek to market bulk water nationally and internationally from Sitka, Alaska.

Sincere regards,

Fred Paley, Director
Arctic Blue Waters Alaska, Inc.

Visit www.arcticbluewatersalaska.com or email fred.paley@telus.net